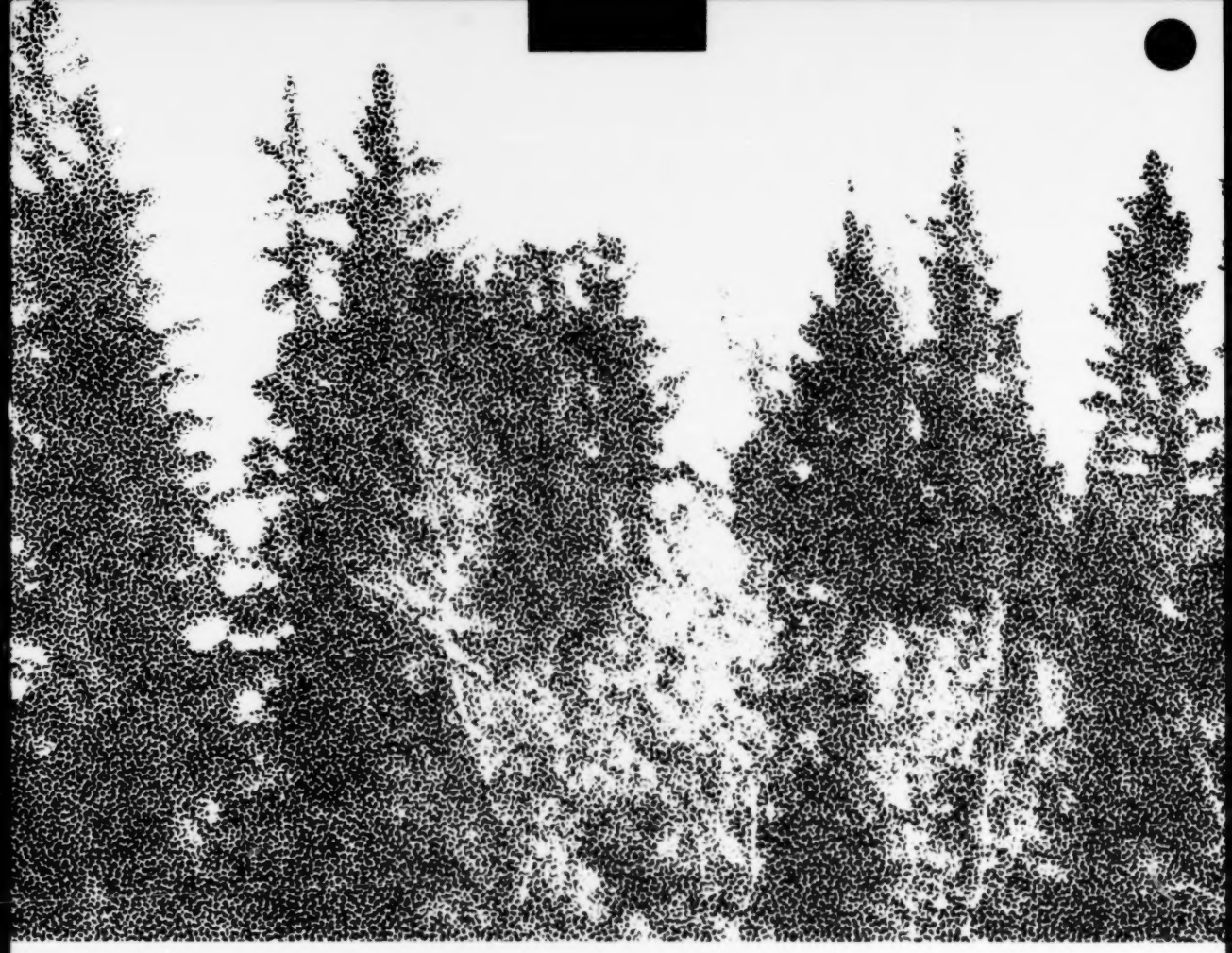

FOREST MANAGEMENT AGREEMENT

Alberta

88-01910/

THE FORESTS ACT, 1971

FOREST MANAGEMENT AGREEMENT
(O.C. 608/80)

Approved and Ordered,
F. LYNCH-STAUNTON,
Lieutenant Governor.
Edmonton, July 2, 1980

Upon the recommendation of the Honourable the Minister of Energy and Natural Resources, the Lieutenant Governor in Council, pursant to section 14(1) of The Forests Act, 1971, approves the entry by the Minister of Energy and Natural Resources into a forest management agreement with the company in accordance with the attached Appendix.

PETER LOUGHEED (Chairman)

MEMORANDUM OF AGREEMENT

BETWEEN:

HER MAJESTY THE QUEEN in right of the Province of Alberta, as represented by the Minister of Energy and Natural Resources, (hereinafter referred to as "the Minister"),

OF THE FIRST PART

AND

THE COMPANY , a body corporate, registered under the laws of Alberta, with a business office in Pleasantview, Alberta, and its head office in Edmonton, Alberta (hereinafter referred to as "the Company"),

OF THE SECOND PART

WHEREAS the Company proposes to establish a major lumber production facility in the vicinity of , a major lumber production facility in the vicinity of and a paper or newsprint manufacturing complex in the vicinity of and .

WHEREAS the Minister desires to provide for the fullest possible economic utilization of forest stands and stable employment in local communities, and to ensure a perpetual supply of benefits and products while maintaining a forest environment of high quality;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises, terms, conditions, covenants, stipulations, agreements and provisions herein contained, the Minister and the Company hereby agree as follows:

DEFINITIONS

1. (1) In this Agreement

(a) "annual allowable cut" is the amount of coniferous timber that may be harvested in any one year as stipulated in the pertinent forest management plan approved by the Minister;

(b) "bone dry unit" means 2400 pounds of wood chips of standard quality dried to a constant mass at 103 ± 2 degrees Centigrade;

(c) "cubic metre" shall have the same meaning as that prescribed by the Timber Management Regulations;

(d) "Department" means the Department of Energy and Natural Resources;

(e) "dollar" means Canadian currency of the value of one Canadian dollar, or the equivalent value in any other currency;

(f) "forest management area" refers to the tract of forest land over which the Company has been given management rights for establishing, growing and harvesting trees on a perpetual sustained yield basis for a defined period of time; and as specifically defined in paragraph 3;

(g) a "merchantable coniferous stand" is a stand having 47.5 cubic metres or more per hectare of merchantable coniferous trees;

(h) a "merchantable coniferous tree" is one having a minimum 15 centimetres diameter, measured outside bark at 30 centimetres above ground level, and having a minimum 3.66 metre useable length to a 10 centimetre top diameter, measured inside bark, unless otherwise specified in the ground rules;

(i) "Scaling Regulation" means Alberta Regulation 336/79 authorized by Ministerial Order 40/79 and any amendments or substitutions thereto;

(j) "periodic allowable cut" is the average of the annual allowable cuts approved for a five-year cut control period, weighted according to the time each allowable cut is in effect;

(k) "Timber Management Regulations" means Alberta Regulation 60/73 authorized under Order-in-Council 309/73 and any amendments or substitutions thereto;

(l) "Timber Regulations" means Alberta Regulation 61/73 authorized by Ministerial Order 14/73 and any amendments or substitutions thereto;

(m) "working circle" means a part of the forest management area organized as a separate unit with its own annual allowable cut.

(2) The Forests Act, 1971, The Public Lands Act, and the regulations made thereunder shall mean for the purpose of this Agreement, those Acts and the regulations as each may from time to time be amended respectively or such Acts or regulations as may from time to time be substituted therefor, and terms defined by The Forests Act, 1971, The Public Lands Act, and the regulations made thereunder shall for the purpose of this Agreement, have the meaning given to them by those Acts and regulations as each may be amended or substituted from time to time.

2. (1) This Agreement shall commence on the 1st day of July, 1980 hereinafter referred to as the commencement date and shall expire on the last day of June, 2000 unless renewed under the provisions of subparagraph (3) or extended under the provisions of subparagraph (4).

(2) It is the intention of the parties hereto to continue the rights of the Company under paragraph 7 to grow and harvest timber on the forest management area for additional terms of twenty years each not limited to the initial twenty year term of this Agreement if pursuant to paragraph 2 (3) mutual agreement thereon can be reached by the Minister and the Company and such agreement is approved by the Lieutenant Governor in Council.

(3) Subject to the approval of the Lieutenant Governor in Council and provided that the Company is not in default on the expiry date as to any of the terms, conditions, stipulations, covenants, agreements and provisions of this Agreement, the Company shall be entitled to a renewal of this Agreement whereby its rights under paragraph 7 to grow and harvest timber are continued for a further term of 20 years on condition that mutually acceptable terms, conditions, stipulations, covenants, agreements and provisions including further renewal provisions or

other requirements can be renegotiated at the time of renewal. The Company shall give notice to the Minister of its desire to renew twelve months prior to the expiry date of this Agreement and within sixty days of receiving such notice the Minister shall commence discussions with the Company to negotiate the terms, conditions, stipulations, covenants, agreements, and provisions of the renewal agreement.

(4) Notwithstanding subparagraphs (1), (2) and (3), if a renewal agreement cannot be agreed upon by the Company and the Minister and approved by the Lieutenant Governor in Council by the expiry date of this Agreement then this Agreement shall be extended for a further term of five years from that date with no further right of renewal or extension.

FOREST MANAGEMENT AREA

3. The Minister and the Company hereby mutually enter into a forest management agreement in respect of the forest management area comprising, subject to paragraphs 4, 5, and 6, public lands within the boundaries shown in a red outline on a map registered in the Department, a copy of which is annexed hereto as Appendix "A".
4. Out of the area shown within the boundaries outlined in red on Appendix "A" the following are excepted:
   (a) areas which are the subject of any timber dispositions issued pursuant to The Forests Act, 1971, prior to the date of this Agreement;
   (b) lands which are the subject of a disposition issued pursuant to The Public Lands Act, prior to the date of this Agreement;
   (c) lands heretofore sold, patented, licensed, leased or applied for in respect of which any disposition is pending; and
   (d) the beds and shores of all streams, rivers and lakes extending up to the high water mark.
5. Whenever any of the land excepted or subsequently withdrawn from the forest management area becomes available for disposition, such land shall be added to the forest management area and form a part hereof.

WITHDRAWALS

6. (1) the Minister may, at any time and from time to time in his discretion, after discussion with the Company with respect to the effect any such withdrawal may have on the forest management area, either permanently or for a specified term, withdraw from the forest management area:
   (a) any land which cannot be logged without causing substantial harm to the water table or to lakes, rivers, streams or other bodies of water, to the margins of water courses or to roads; and
   (b) any lands required for rights-of-way, water resource development or for any other purposes deemed by the Minister to be essential for the human or physical resource development of the Province.
2. A withdrawal shall take effect
   (a) on the date the notice of withdrawal is given by the Minister to the Company, or
   (b) where the notice given states that the withdrawal shall take effect at a future date, on the date stated in the notice.
3. When the net aggregate area of lands withdrawn from the forest management area exceeds 2% thereof, the Minister shall replace such excess by adding an area from the nearest available public timber lands equivalent to such excess area.
4. In the event from time to time of any withdrawal or withdrawals of land from the forest management area by the Minister:
   (a) for disposition to users other than the Crown, the Company, in addition to any right pursuant to paragraph 6 (3), shall be entitled to reasonable compensation from the users for any loss of profit or other damage or loss suffered by the Company, including by way of example, but without limitation, damage to timber, improvements, regeneration, forest growth, or to its operation on the forest management area resulting from such withdrawal.
   (b) for use by the Crown wherein the net aggregate area withdrawn does not exceed 2% of the forest management area, the Minister shall determine the compensation and arrange for reimbursement to the Company for the actual loss or damage resulting from such withdrawal to any improvements created by the Company's efforts, but not for any loss of profit, inconvenience nor increased costs reasonably incurred

by the Company in harvesting an equivalent volume of timber elsewhere;

(c) for use by the Crown wherein the net aggregate area withdrawn does exceed 2% of the forest management area, the Minister shall determine the compensation in respect of such excess and arrange for reimbursement to the Company, for any loss of profit or other damage or loss suffered by the Company, including damage to timber, improvements, regeneration, forest growth, its operations on the forest management area adjusted for the value of any timber on lands replaced pursuant to paragraph 6 (3) after considering increased costs reasonably incurred by the Company in harvesting an equivalent volume of timber on the substituted lands.

RIGHTS OVER THE LAND

7. (1) Subject to all the terms and conditions of this Agreement the Minister grants to the Company the rights, during the term of this Agreement, to establish, grow and harvest timber on the forest management area on a perpetual sustained yield basis, with such rights to include, but not be limited to.
   (a) the right during the term of this Agreement to enter and occupy the forest management area for the purposes referred to in clauses (b), (c) and (d);
   (b) the right during the term of this Agreement to grow, cut and remove timber on and from the forest management area;
   (c) the right during the term of this Agreement to carry out reforestation and other programs that are approved by the Minister in accordance with this Agreement; and
   (d) the right during the term of this Agreement to construct, operate and maintain roads, wood concentration yards and other installations necessary and incidental to the Company's logging and silvicultural operations on the forest management area.

   (2) For the purpose of interpreting The Surface Rights Act, or as amended, the Company is an occupant of the public lands comprising the forest management area.

   (3) The Minister shall cause land dispositions required within the forest management area for work such as roads, bridges, and other necessary works incidental to the Company's logging and silvicultural operations to be issued to the Company without any dues, fees or rental charges being paid but such dispositions shall otherwise be subject to any pertinent regulations.

   (4) Notwithstanding subparagraph (3), sand and gravel excluding in situ right-of-way material used in the immediate area where it is found, needed by the Company for its operations under this Agreement shall be obtained by the Company pursuant to the Surface Materials Regulation, subject to the payment of the fees and royalties prescribed in the Regulation.

   (5) The Minister shall cause the sale to the Company of up to 122 hectares of land as may be required by the Company in Sections and, Township Range , West of the 6th Meridian, at a price of $ per hectare.

8. (1) In keeping with the policy for multiple use of the public land, the Minister reserves all land rights on the forest management area not specifically given hereby to the Company in this Agreement, including by way of example, but without limiting the generality of the foregoing;
   (a) the rights of others to travel, hunt, fish, and otherwise use the said lands for recreational purposes, or to trap, subject to any necessary restrictions for the purpose of prevention of accidents, fire control and seasonal protection of roads;
   (b) the rights to authorize any person to conduct any work in connection with or incidental to geological exploration pursuant to The Mines and Mineral Act, or the Exploration Regulation; provided that the Company shall be entitled to reasonable compensation, from the person conducting the exploration, for any loss or damage suffered by the Company and resulting from such exploration including by way of example but without limitation, for any damage to timber, forest growth, regeneration, improvements or to any of its operations on the forest management area; and

provided that the Company shall not be entitled to compensation for damage to coniferous or deciduous timber or forest growth caused by any such geological or geophysical exploration on areas placed under timber licence or permit;

(c) the right to maintain and enhance fish and wildlife resources;

(d) the right to authorize domestic stock grazing, provided that coniferous regeneration will not be unduly damaged.

(2) The Minister also reserves the following rights to the timber on the forest management area after consulting with the Company;

(a) the right to issue timber permits, not exceeding one year in duration, to provide timber for local use in construction and maintenance of public works by any local authority, municipality, county, the Crown in right of Alberta or Canada, and for the local residents for their own use and sale, provided the total volume of coniferous timber cut under authority of such permits on the forest management area in any timber operating year does not exceed one-half of one percent (0.5%) of the approved annual allowable cut of coniferous timber;

(b) the right to issue licenses and permits to those quota holders listed in Appendix B to maintain their operations after the commencement of this Agreement, but shall not:

(i) issue any new or additional quota certificates except one incorporating the agreed increase to the timber quota

(ii) increase any quota; except for the agreed increase to the timber quota in Management Unit

(iii) increase the authorized volume to be cut under any quota until April 30, 1986, except that until April 30, 1986, a quota holder may cut quota free timber from within stands scheduled in support of the quota by cutting trees of smaller size and to a smaller top diameter than presently stipulated in the quota certificate;

(c) the right to use deciduous timber allocations, licenses, and permits.

FOREST MANAGEMENT

A. General Provisions

9. On the forest management area the Company shall:

(a) follow sound forestry practices with the purpose of achieving and maintaining a perpetual sustained timber yield from the productive forest land, while not diminishing the productivity of the land, and

(b) harvest the annual allowable cut of merchantable coniferous trees from merchantable coniferous stands in accordance with paragraph 12.

10. For the purpose of forest management planning, timber harvest operations and cut control, the Company shall divide the forest management area into two distinct working Circles — a Working Circle and a Working Circle — on the condition that the allowable cut from each working circle will support the Company's manufacturing facility or facilities located within or adjacent to that respective working circle. At the request of the Company, the boundary line separating the above two working circles may be altered in future forest management plans provided that the above condition is satisfied.

11. (1) Not more than twelve months following the commencement date of this Agreement and in any case before the commencement of woods operations, the Company shall submit for the Minister's approval two preliminary forest management plans describing the methods it will follow in managing each of the working circles of the forest management area on a sustained yield basis and establishing a preliminary estimate of the sustainable annual allowable cuts, for each working circle, and until the plan for a working circle is approved by the Minister the Company shall not commence woods operations in that working circle.

(2) Not more than three years after the commencement of harvesting timber for mill operations, the Company shall submit to the Minister a detailed forest management plan describing the methods it will follow in managing the forest management area on a sustained yield basis for a period equivalent to one approved full rotation and this plan upon approval by the Minister shall replace the preliminary plan. The plan shall include yield projections for a

period equivalent to at least one full rotation plus a harvest schedule and road development plan for the duration of the Agreement. The Company shall specify in their detailed management plan the amount of annual allowable cut of each working circle which will be allocated to supply the Company's manufacturing facilities in the area and the amount to supply the Company's manufacturing facilities in the area. Cut controls specified in paragraph 12 shall be applied to the allowable cut of each working circle separately.

(3) Not later than the tenth anniversary date of this Agreement the Company shall submit for the Minister's approval a revised detailed management plan, and this revised plan when approved will replace that supplied under subparagraph (2).

(4) The Minister may require the Company to alter any of the methods described in its preliminary plan or detailed management plans before his approval may be given.

(5) Before the preliminary plan is approved by the Minister the parties hereto must formulate a set of ground rules for creating the basis of the preliminary and the detailed management plans, and the annual operating plans required under paragraph 13, or any revisions thereof. In the event that an initial set of ground rules cannot be established by mutual agreement within six months of the commencement date of this Agreement, the Minister shall, within the following 30 days, unilaterally establish a set of ground rules.

(6) The ground rules shall be reviewed by the parties hereto at the request of either party; however the Company cannot alter the ground rules without the consent of the Minister; whereas the Minister may alter the ground rules without the consent of the Company provided there is full consultation with the Company prior to any change and provided the Company received written notice six months in advance of any change.

12. (1) The term of the Agreement shall be divided into four cut control periods each with a duration of five years. The annual allowable cuts shall be calculated for the Grande Cache and Fox Creek working circles separately, as specified in paragraph 11, and shall be recalculated when requested by the Minister and not later than by the end of the second control period.

(2) The required production from each working circle in each period shall be controlled as follows:

CUT CONTROL PERIOD	WORKING CIRCLES	REQUIRED MINIMUM VOLUME OF TIMBER TO BE CUT IN THE PERIOD
First		50% of the Periodic Allowable Cut
		20% of the Periodic Allowable Cut
Second	Both	85% of the Periodic Allowable Cut
Third	Both	85% of the Periodic Allowable Cut
Fourth	Both	85% of the Periodic Allowable Cut.

(3) If the Company does not harvest the required minimum volumes of timber specified in subparagraph (2) during the relevant period, the Minister may during the subsequent period make the entire unused volume available to operators other than the Company or may allocate this unused volume to the Company if the Company submits a program satisfactory to the Minister making up the shortfall in the subsequent five-year period.

(4) If the Company overcuts the periodic allowable cut by more than 15% the Minister may reduce the allowable cut during the subsequent period by an amount equivalent to the entire overcut volume.

13. (1) The Company shall forthwith upon the commencement of this Agreement establish a forest management operating year that shall commence and end on dates approved by the Minister.

(2) Not less than four calendar months before the commencement of each forest management operating year or within such shorter period as may be permitted in writing by the Minister, the Company shall submit to the Minister an operating plan and this plan will include the reforestation and forest protection plans and plans of the supplemental programs required under paragraphs 26, 28 and 29 covering the next ensuing forest

management operating year.

(3) Each operating plan shall be in accordance with and include a two year operating projection showing the entire harvesting operation intended by the Company to be implemented during the next ensuing two forest management operating years.

(4) The Minister may approve such plans as are submitted, or may require the Company to alter any aspect of harvesting operations described in the plans, provided that the Minister shall not thereby alter the ground rules in effect at the time made pursuant to paragraph 11 and acts promptly so as to avoid delay in the Company's operations.

(5) When the operating plan does not provide for the salvage of dead, damaged, diseased or decadent timber, the Minister may give notice to the Company that he requires provision for its salvage in such plan. The Company shall have thirty days from the date on which such notice is given to it by the Minister within which to amend the plan, or to justify the exclusion of such timber from its plan, but if it fails or elects not to do either within such period, the Company shall not be deemed to be in default and the Minister may dispose of such timber to any person by permit without compensating the Company.

(6) Each operating plan shall incorporate other resource needs and in so doing minimize the adverse impact on such public resources as fish and wildlife throughout the forest management area.

14. When, in the opinion of the Minister, any plan approved by him becomes obsolete or inadequate, he may, by reasonable notice in writing, require the Company to submit a revised plan for his approval within a specified time or, within any extended time he may subsequently allow.

15. The Company may not commence or carry on any construction project or any operation on the forest management area until the relevant plan which is required to be submitted pursuant to paragraphs 11, 12, 13 and 14 has been submitted by the Company and approved in writing by the Minister, and the Company may not digress from the approved plans without the Minister's consent in writing, with the understanding that the Minister shall provide a full explanation whenever consent is withheld.

16. The Company shall at its own expense make such surveys of the forest management area as are necessary to prepare the plans required by paragraphs 11, 12, 13 and 14.

17. The Company shall utilize all the merchantable coniferous trees growing within merchantable coniferous stands cut in road construction and other incidental operations of the Company unless otherwise permitted in writing by the Minister.

18. The Company shall conduct woods operations and manufacturing operations in such a manner as to achieve the highest degree of economic utilization of the timber on the forest management area and shall not commit acts of waste in respect of such timber.

19. (1) Commencing not more than twelve months following the completion date set for the paper mill in paragraph 38, the Company shall endeavour to purchase annually from quota holders and permittees within the Province a minimum of 50,000 bone dry units of wood chips provided they are offered to the Company at a price not exceeding the weighted average price received for wood chips of equal quality at producing sawmills in Alberta and provided they possess a standard of quality suitable for the manufacture of the paper products produced by the Company.

(2) The Company shall use every reasonable effort to accept roundwood if required by the Company and if offered to the Company, at prevailing market prices, from quota holders and permittees within the Province if the roundwood possesses a standard of quality suitable in the opinion of the Company for manufacture in facilities of the Company.

20. (1) The Company shall make its wood chips from the sawmill available for sale under a contract ("Chip Contract") with an initial term of 10 years to another company at a price f.o.b. the sawmill which does not exceed the weighted average price received at producing sawmills in Alberta for wood chips of equal quality.

(2) (a) If, by December 31, 1985, the company has not expanded or begun construction of an expansion to the pulp production facilities which exist at

on the commencement date of this Agreement with a design capacity sufficient to utilize the entire wood chip volume available under the Chip Contract, the Company's obligation to sell chips to the company shall not extend beyond the initial term of the Chip Contract;

(b) If the company has expanded or begun construction of the pulp expansion described in paragraph 20(2)(a) by December 31, 1985, the Company shall extend the term of the Chip Contract described in paragraph 20(1) to the expiry date of this Agreement, and include a right of renewal clause providing for an additional term of 20 years subject to the renewal of this Agreement under the terms of paragraph 2(3).

(3) For the duration of the Chip Contract established under paragraph 20(1) and any extension or renewal to it under paragraph 20(2)(b), the Minister shall, at the request of the Company, assist the Company to purchase an annual volume of 50,000 bone dry units of wood chips of a quality acceptable to the Company by requiring quota holders selected by the Minister from within the Forests to offer such chips to the Company for use at its mill at prices which do not exceed the weighted average price received at producing sawmills in Alberta for wood chips of equal quality.

(4) (a) In the event that a quota holder who has entered into a contract to sell chips to the Company under the provisions of paragraph 20(3) fails to deliver the chip volumes specified in the contract, the Minister shall require the quota holder to make up the shortfall within six months. At the end of the six month period, the Minister shall require the quota holder to harvest and deliver, within 90 days of being advised to do so, a volume of merchantable coniferous trees which is equivalent to the volume of chips remaining undelivered. The Company shall pay for such trees on the basis of their chip content, assuming that one bone dry unit of chips is equivalent to 2.83 cubic metres of roundwood;

(b) In the event that a quota holder refuses to meet the requirements of the Minister under paragraph 20(4)(a), the Minister shall authorize the Company to enter onto the timber licences held by the quota holder and remove a volume of merchantable coniferous trees which is equivalent to the volume of chips remaining undelivered without making any payment to the quota holder for such trees; provided, however, that the Company shall pay timber dues to the Minister at the rates prescribed for the timber licences from which the timber was taken.

(5) If the company expand or begin construction of the pulp expansion described in paragraph 20(2)(a) prior to December 31, 1985, the Minister shall, within 90 days of confirming that construction of the pulp expansion has commenced, add to the forest management area that area designated as on the map annexed hereto as Appendix "A".

21. The Company shall not hinder or obstruct the lawful timber operations of licensees and permittees.

22. The Minister shall consult with the Company concerning proposed areas and methods of harvesting by the aforesaid timber licensees and permittees in the forest management area before designating the areas in which their operation may be carried on and the Company shall suggest in its annual operating plans for the Minister's approval areas available for harvesting by timber licensees and permittees.

23. The Minister shall require timber licensees and permittees operating within the forest management area to conduct all harvesting operations in accordance with sound forestry practices and to refrain from hindering or obstructing the lawful operations of the Company.

B. Reforestation

24. (1) The Company shall be obliged to progressively reforest at its own expense all land cut over by the Company and shall describe its reforestation program in its management and annual operating plans.

(2) For the purpose of the reforestation requirements, "year" shall mean the period from May 1st to April 30th until such time as the phrase "timber year" is defined in the Timber Management

Regulations and from that time on shall have the same meaning as may be thereby ascribed to that phrase.

(3) Considering the year of cut or, in the case of supplemental reforestation areas the year of treatment, as being the first year, the Company shall Complete a reforestation survey which meets the specifications of the Minister for all areas that it is obliged to reforest and submit same to the Minister by the end of the seventh year.

(4) In this Agreement the required reforestation standard means the reforestation standard set out in the Timber Management Regulations as amended from time to time or in any regulations passed in substitution thereof.

(5) Where the Company fails to reforest any area it is obliged to reforest to the required reforestation standard by the end of the tenth year the Minister may suspend timber harvesting operations until the Company has complied with any direction received from the Minister in relation to the reforestation of the area.

25. (1) As part of its operations under this Agreement the Company shall, at its sole expense, furnish all of the seedling trees required for its reforestation needs.

(2) Seedling trees for reforestation shall be grown and produced within the Province of Alberta.

(3) The Minister shall, without charge to the Company, extract seed from any seed bearing cones supplied by the Company and store such seed for delivery to the Company on demand.

26. (1) The Company and the Minister shall devise program on and implement a reforestation lands in the forest management area capable of supporting tree growth on which the timber was cut over by individuals other than quota holders or the Company prior to this Agreement or destroyed at any time by natural agencies, including but not limited to, natural occurring fires or fires of the type referred to in paragraph 28(1), or disease, and which nature has failed to restock to the required reforestation standard (hereinafter referred to as "supplemental reforestation"). Lands acceptably stocked with deciduous timber shall not be considered as under-stocked for these purposes.

(2) The Company and the Minister shall each undertake to effect one-half of the supplemental reforestation program.

(3) Over any five year period the average annual supplemental reforestation will be one-twentieth of the total area found to be understocked, subject however to the maximum limitations set out in paragraph 27.

(4) The supplemental reforestation program shall be included in the Company's annual operating plan submission.

27. (1) The maximum supplemental reforestation that the Company and the Minister jointly may be required to carry out during any operating year shall not exceed 25% of the total area harvested for coniferous timber by the Company in the immediately preceding operating year.

(2) The Minister may direct in any operating year that the maximum supplemental reforestation program are be reduced to the extent necessary to fit the Minister's estimated departmental budget for that purpose.

28. (1) The Company shall not be required to reforest lands cut- over or burned after the commencement date of this Agreement by persons other than the Company, its agents or contractors.

(2) Notwithstanding paragraph 26(1), the Company shall be solely responsible for reforesting all lands burned by fire, when the fire has been caused by the Company, its employees, its agents or its contractors.

29. (1) Where in any operating year the Company's share of the cost under supplemental reforestation programs is less than 15% of the amount the Company paid in the previous year for timber dues in accordance with paragraph 33, the Company shall carry out or support programs to improve the fish and wildlife habitat or recreational opportunities within the forest management area, providing such programs meet with the approval of the Associate Minister of Public Lands and Wildlife in the case of fish and wildlife habitats and the Minister in the case of recreational opportunities.

(2) The Company's expenditure under subparagraph (1) shall not be less than the difference between 15% of the amount the Company paid in the previous year for timber dues and the Company's share of the cost under any supplemental reforestation programs in the current year.

30. If the Company desires to implement, at its own cost, more intensive silvicultural practices than required by the Minister under this Agreement, such as spacing,

fertilization, genetics and drainage, the Company and the Minister may enter into an agreement which will define the programs and conditions that, in the Minister's opinion, will establish a sustainable increase in allowable cut. Where the Company implements the program under the terms of such an agreement, and where the Minister and the Company agree on the amount of additional allowable cut which will result from the Company's silvicultural efforts over and above those required under the Forest Management Agreement and The Forests Act, 1971, then such additional cut shall be offered by the Minister to the Company free of timber dues providing the Minister has been duly authorized to do so by a regulation passed under section 4 of The Forests Act, 1971.

C. Forest Protection

31. (1) The Minister agrees to provide and maintain an organization of men and equipment necessary for the protection of the forest from and suppression of forest fires on the forest management area and, except as herein otherwise provided, to pay the cost of fighting any forest fire that originates on the forest management area on the understanding that the Minister will not be liable for damages to the Company resulting from a failure to prevent, control or suppress any fire.

(2) Notwithstanding subparagraph (1), the Company shall pay the cost of suppressing any forest fire that originates on the forest management area if the fire is caused by or arises out of any of the operations or activities conducted on the forest management area by the Company, its employees, agents or contractors; provided, however, that in no event shall the liability of the Company exceed the liability provided for in a separate Fire Control Agreement which may be negotiated and entered into by the Minister with the Company. Until such time as a Fire Control Agreement has been entered into, the Company agrees to have on hand in good working order such fire fighting equipment and shall train such employees in fire supression as specified by the Minister. If the cause of any fire is disputed by the Company, the dispute shall be resolved by means of civil suit in the Courts of Alberta.

(3) Notwithstanding anything contained in this Agreement, the Company shall not be liable for loss of or damage to Crown timber by fire that is caused by or arises out of any of the operations conducted on the forest management area by the Company, its employees, agents or contractors.

(4) In the event of an occurrence of insect damage of epidemic nature to forest growth or a disease epidemic affecting forest growth on the forest management area the parties hereto will co-operate in supressing the epidemic.

RECORDS AND SCALING

32. (1) All scaling, measuring and weighting of timber shall be performed by the Company.

(2) All scaling and measuring of timber weights and volumes shall be conducted in accordance with the Timber Regulations, the Scaling Regulation and the published instructions of the Department.

(3) The Company shall maintain in the form and in the manner approved by the Minister complete and accurate records of the operations it conducts on the forest management area.

(4) The Minister, or any person authorized by him, may inspect the records maintained by the Company pursuant to subparagraph (3).

(5) The measurement of the volume of all wood cut by or for the Company and sold to others or purchased by the Company may be determined, at the option of the Company, by physical measurement of said wood or by derivation of volume/weight factors by sampling in the manner prescribed by the Minister from time to time.

33. (1) Within 21 days of the termination of every three month period, the Company shall submit to the Minister in writing, on a form prescribed by the Minister, a return reporting for each such period:

(a) the volume of timber cut by and for the Company for each working circle;

(b) for each working circle the volume of timber cut or destroyed by others for which the Company is entitled to compensation under this Agreement;

(c) the volumes of primary timber products manufactured and sold by and for the Company from each of its

manufacturing facilities within the Province; and

(d) the volume of timber and primary timber products purchased for use in its mills in Alberta and sold by the Company, from its operations in Alberta, the names of all persons from whom timber was purchased, to whom timber was sold, and the land from which the timber was cut.

(2) Unless otherwise directed in writing by the Minister, the Company shall remit to the Minister with each timber return the amount of all dues payable for the volume of timber shown in such returns as required by paragraph 33 (1).

CHARGES AND DUES

34. (1) On the commencement date of this Agreement and thereafter on each anniversary date during the term of this Agreement, the Company shall pay to the Minister:

(a) a holding charge, and

(b) a forest protection charge

for every square kilometre, to the nearest square kilometre, within the forest management area on the first of the month immediately preceding the date the payment is due.

(2) Initially, on the commencement date of this Agreement the charges in subparagraph (1) will be:

(a) a holding charge of $1.16 per square kilometre, and

(b) a forest protection charge of $13.59 per square kilometre.

(3) Subsequent holding charges and forest protection charges shall be adjusted annually on the anniversary of the commencement date of the Agreement using the Annual Implicit Price Index for government current expenditure in goods and service, as published by Statistics Canada, in the following formula:

$$\text{Charge for Year of Payment} = \text{Charge for Previous Year} \times \frac{\text{Index for Year prior to Year of Payment}}{\text{Index for Second Year Prior to Year of Payment}}$$

Example

(a) 1980 Holding Charge =

$$\$1.16 \times \frac{\text{1979 Index}}{\text{1978 Index}}$$

(b) 1980 Forest Protection Charge =

$$\$13.59 \times \frac{\text{1979 Index}}{\text{1978 Index}}$$

In the event that the Annual Implicit Price Index is no longer published or in the event of a change in the method used to calculate the Index, the Minister and the Company shall mutually and reasonably agree on a comparable published index to be used in the above formula.

(4) The amounts of annual holding charges and forest protection charges payable to the Minister by quota holders within the forest management area will be deducted from the amounts calculated in subparagraph (3).

35. The Company shall pay dues in accordance with this Agreement in respect of all timber for which the Company is entitled to compensation and in respect of all timber cut by and for the Company on the forest management area.

36. Timber dues are payable to the Minister under paragraph 35 at the General Rates of Crown Dues for coniferous timber as established pursuant to the Timber Management Regulations.

37. The Minister has, in addition to any rights and powers conferred on him by this Agreement, all the rights and powers for enforcing the payment of Crown charges that are provided for pursuant to The Forests Act, 1971.

MILL CONSTRUCTION AND OPERATION

38. (1) Not more than four calendar months following the commencement date of this Agreement the Company shall commence construction of a sawmill-planer complex in the vicinity of

with a capacity to produce a minimum of 80 million board feet of lumber annually and include machinery for the recovery of wood chips of a type and quality suitable for the manufacture of wood pulp of high quality, with provisions to base supervisory staff, forestry and logging crews in the vicinity of

to the extent that the Company will establish operations capable of providing for the employment of 360 persons not later than January 1, 1983.

(2) Not later than July 1, 1981, the Company

shall commence construction of a sawmill-planer mill complex in the vicinity of
with a capacity to produce approximately 100 million board feet of lumber annually and include machinery for the recovery of wood chips of a type and quality suitable for the manufacture of wood pulp of high quality.

(3) Not later than July 1, 1983, the Company shall commence construction of a paper mill plus associated thermo-mechanical pulping facilities in the vicinity of
with a capacity to produce a minimum of 175,000 tonnes of paper or newsprint.

(4) For the purpose of subparagraphs (1), (2) and (3) the commencement of construction means the date on which construction physically begins on the site under the terms of a firm construction contract or the first of a series of firm construction contracts with a reputable contractor or contractors, providing for continuing construction leading to the completion of the facility in question:

(a) within seventeen calendar months of commencement of construction in the case of subparagraphs (1) and (2), and

(b) by December 31, 1985 in the case of subparagraph (3).

39. (1) The Company shall satisfy the Minister of Economic Development prior to August 1, 1980 and throughout the term of this Agreement with respect to the use, wherever practicable of Alberta engineering and other professional services, and Alberta tradesmen and other construction personnel, equipment, materials and supplies from Alberta.

(2) With respect to activities under this Agreement, and whenever practicable, the Company shall co-operate with the Minister of Advanced Education and Manpower as follows:

(a) employee selection by the Company will favour Alberta residents in general and local residents in particular assuming qualifications equal to those of non-resident applicants;

(b) the Company will play a signficant role in the development of job skill training programs for local residents, provided such programs are adequately supported by the local residents.

40. (1) If the Company fails to commence construction or to complete construction within the times specified in paragraph 38, the Minister may give notice to the Company stating the default complained of and requiring the Company to remedy such default within six months of the date of such notice, and if the Company fails to remedy the default within the said period of six months, the Minister may cancel this Agreement and declare the rights of the Company under this Agreement to be at an end and thereupon the deposit referred to in subparagraph (1) of paragraph 43 shall be forfeited and become the property of the Crown, unless the Lieutenant Governor in Council extends the period as provided in subparagraph (2) below.

(2) The Lieutenant Governor in Council may from time to time extend the period during which the Company is to remedy the default complained of in a notice given under subparagraph (1).

41. The Company shall submit to the Minister when required any information or documents the Minister may reasonably request relating to the progress of the construction of the facilities required to be constructed by the Company and other matters relating to this Agreement for the purpose of verifying the Company's continued compliance with the terms of this Agreement.

42. (1) The Company must operate the lumber production facilities at both
and as described in paragraph 38(1) and (2) at not less than 50% of the respective capacity figures specified in paragraph 38 for any calendar year following the year of start up.

(2) The annual production, expressed as a percentage of mill capacity, of the sawmill shall not be less than the annual production, expressed as a percentage of mill capacity, of the
sawmill, unless otherwise agreed to in writing by the Minister.

(3) The company will notify the Minister, in writing, of any intended major reduction in production levels of any of its mill facilities described in paragraph 38, and such notification will be submitted to the Minister at least six weeks prior to the intended reduction taking effect.

DEPOSIT

43. (1) The Company shall deposit with the Minister the sum of $2,000,000 on the date this Agreement is executed.

(2) The deposit referred to in subparagraph

(1) may consist in whole or in part of cash, a certified cheque and letter of commitment submitted in accordance with all of the requirements of the Minister, or bearer bonds of the Government of Canada or of the Province of Alberta having a market value at time of placement equivalent to the sum of such deposit.

(3) The interest coupons attached to any bonds deposited pursuant to subparagraph (2) shall, as they fall due for payment, be detached and returned by the Minister to the Company.

(4) Upon the completion of construction and commencement of production of the paper mill and pulping facilities the Company may make application for a partial refund of deposit whereupon the Minister shall retain $750,000 as a deposit to guarantee against default by the Company of any of the covenants, terms, stipulations, conditions, agreements and provisions of this Agreement and will return the balance to the Company provided all the requirements of paragraph 38 have been met.

(5) The Company may with the consent of the Minister, at any time during the existence of this Agreement, substitute one or more forms of deposit as described in subparagraph (2) herein, for any one or more forms of deposit held by the Minister pursuant to this Agreement.

(6) When this Agreement expires and is not renewed, and there is not then an unremedied default under this Agreement of which the Company has been notified, the Minister will return to the Company all deposits then held by the Minister under this Agreement.

44. (1) If the Company at any time after the completion of construction makes default under any of the covenants, terms, conditions, provisions, agreements and stipulations in this Agreement, the Minister may give notice to the Company setting out the default complained of and requiring the Company to remedy the default within six months of the giving of notice, and if the Company fails to remedy the default complained of within the said period of six months, the Minister may declare that the whole or part of the deposit is forfeited and thereupon the amount becomes the property of the Crown, unless the Lieutenant Governor in Council extends the period as provided in subparagraph (2) below.

(2) The Lieutenant Governor in Council may from time to time extend the period during which the Company is required to remedy any default complained of in a notice given pursuant to subparagraph (1).

(3) Where the whole or part of the deposit has been forfeited pursuant to subparagraph (1), the Minister may suspend timber harvesting operations and shall not approve the next operating plan unless the default complained of has been remedied to the satisfaction of the Minister and the deposit re-established subject to paragraph 44 and 45 herein.

45. Notwithstanding the right of the Minister as provided for under paragraph 44(1) to declare a forfeiture of the deposit provided pursuant to paragraph 43 or as redeposited pursuant to the terms of paragraphs 43 and 44, the Minister shall have the right to have the Company perform all the covenants, terms, conditions, stipulations, provisions and agreements and obligations upon it as contained in this entire Agreement or to sue the Company for damages for any breach or breaches thereof and the Minister shall also have the right to cancel this Agreement and the rights of the Minister to have the Company perform the Agreement and to sue for damages as aforesaid as well as the right of cancellation shall be construed as additional remedies to forfeiture and not an alternative to it.

46. When any default or delay by the Company in the performance or observance of any of the terms, conditions, provisions, agreements, covenants and stipulations of this Agreement is occasioned in whole or in part through interruption which is not the result of any willful or negligent act or omission by the Company or through industrial disputes, and not avoidable by reasonable effort or foresight, the Company shall not be deemed in default under this Agreement.

GENERAL PROVISIONS

47. (1) The Minister may, by giving to the Company ninety days notice in writing, cancel this Agreement when:

(a) any goods or chattels of the Company, having a value in excess of $500,000.00, which are liable to deistress, are lawfully seized or taken in execution by a creditor of the Company, and the Company has

failed to take any legal action to contest the same within ninety days after such seizure or taking, or

(b) the Company makes any general assignment for the benefit of its creditors or an assignment in bankruptcy or takes the benefit of any Act in force for bankrupt or insolvent debtors, or

(c) The Company fails from time to time to observe or perform any of the covenants, stipulations, terms, conditions, provisions and agreements required to be observed or performed by the Company under this Agreement, and having been given notice of such failure under paragraph 44 of this Agreement, fails to remedy such failure within the time allowed by the said paragraph for so doing, or any extension thereof given by the Leiutenant Governor in Council.

(2) Clause (b) of subparagraph (1) does not apply if a trustee for the holders of bonds, debentures, or other securities of the Company exercises any rights or remedies contained in any deed or trust or mortgage or other agreement under which such bonds, debentures or other securities are issued or secured, including but without restricting the generality of the foregoing, the taking of possession by the trustee of the Company's properties and assets and the operation or disposition thereof for the benefit of the holders of the Company's bonds, debentures or other securities.

48. The Minister does not guarantee any quality or quantity of timber on the forest

49. No implied contract of any kind by or on behalf of the Minister shall arise or be construed from anything contained in this Agreement and the only rights, power and privileges granted to the Company are those contained in this Agreement.

50. The Minister and the Company agree that the lines on the map shown in Appendix "A" hereunto annexed are intended, where those lines outline areas that are yet unsurveyed, to be the survey lines of the townships, sections, or half sections, as the case may be, that would exist if such areas were surveyed under the system of township surveys prescribed by The Alberta Surveys Act and any amendments or substitutions thereto.

51. The Company shall comply with and observe all the provisions and requirements of:

(a) The Forest Act, 1971, and as amended from time to time, and

(b) any Acts of the Legislature of the Province of Alberta in force, or enacted hereafter from time to time, and as amended from time to time, and

(c) any Regulations inclusive of any amendments or substitutions in force from time to time under any of the Acts referred to in clauses (a) and (b)

that apply to the Company or to this Agreement either specially or generally by express wording or by implication.

52. The Company agrees to exercise reasonable efforts to maintain employment in the form of 360 jobs in the vicinity of

53. The Company shall during the term of this Agreement maintain an office in the Province of Alberta or obtain and maintain a registration under The Companies Act of Alberta, its regulations or as each may be amended from time to time.

54. (1) Where any dispute arises between the parties to this Agreement concerning the application of interpretation of this Agreement the dispute may be referred to arbitration pursuant to The Arbitration Act of Alberta but only upon the mutual agreement of both parties.

(2) In the case of a dispute arising between the parties in relation to paragraphs 31, 46, and 58 or any other paragraph contained in this Agreement where both parties do not agree to refer a dispute concerning this Agreement to arbitration as provided in subparagraph (1) the dispute shall be resolved by means of civil action before the Courts of the Province of Alberta.

55. The Company shall not assign this Agreement or any of the rights granted to it by this Agreement without the consent of the Minister in writing and such consent may in his sole discretion be withheld. Where the Minister refuses consent to an assignment, he shall advise the Company in writing of his reasons for so refusing. The employment of contractors by the Company in the normal conduct of its operations, or a charge given by way of security before crystalization, shall not be deemed to be an assignment.

56. Any waiver by the Minister of the strict performance by the Company of its covenants or of any term, condition, stipulation, agreement or provision under this Agreement is not binding upon the Minister unless such waiver is expressed in writing

under the authority of the Minister and any such waiver or any extension of time granted by the Lieutenant Governor in Council hereunder shall not abrogate such or any covenant, term, condition, stipulation, agreement or provision herein or constitute a waiver or extension of time as to any subsequent breach of the same or any other covenant, term, condition, stipulation, agreement or provision herein.

57. The Company covenants and agrees to observe, perform and keep all covenants, terms, conditions, stipulations, agreements and provisions herein on its part to be observed, performed and kept and time shall be and remain of the essence thereof and notwithstanding any binding waiver given by the Minister as referred to in paragraph 56 or any extensions of time given by the Lieutenant Governor in Council under this Agreement that thereby may affect the time for performing any particular act, covenant, term, condition, stipulation, agreement, or provision of this Agreement herein, time shall remain of the essence pertaining to all subsequent performance by the Company of any and all acts, covenants, terms, conditions, stipulations, agreements and provisions herein contained and to this entire Agreement.
58. The Company assumes liability for and shall pay all claims of the Minister for all damages to any real or personal property other than timber of the Crown in right of Alberta caused by the Company, its servants, agents, workmen and contractors in the course of the exercise or purported exercise of its rights, powers and privileges under this Agreement, whether or not the damage so caused is due to the negligence of the Company, its servants, agents, workmen and contractors, as the case may be.
59. The Company shall keep the Minister idemnified against all claims and demands that may be made against the Minister by reason of anything done by the Company, its servants, workmen, agents, and contractors on the forest management area in the exercise or purported exercise of its rights, powers and privileges under this Agreement.
60. The Company shall comply with the requirements of The Public Health Act, The Clean Air Act and The Clean Water Act of Alberta and as amended from time to time and all other applicable provincial and federal legislation now or hereafter enacted and the regulations inclusive of any amendments or substitutions thereunder relating to the control of air and water pollution and shall employ the most modern techniques, methods and devices at its expense that are reasonably economic.
61. Any notice required to be given under this Agreement shall be deemed to be well and sufficiently given if delivered to the address set out below or if mailed at any government post office in the City of Edmonton, Alberta or in the City of
by prepaid registered mail addressed as follows:

    (a) to the Company:
    The Secretary
    THE COMPANY

    (b) to the Minister:
    Minister of Forestry, Lands and Wildlife
    Legislature Building
    Edmonton, Alberta
    T5K 2B7

    or to such other address either party may from time to time inform the other party in writing, and any such notice shall be deemed to have been received on the fourth business day after the mailing thereof, or if delivered, when delivered, provided that if mailed should there be between the time of mailing and the actual receipt of the notice a mail strike, slow down or other labour dispute which might affect the delivery of such notice then such notice shall only be effective if and when actually delivered.
62. This Agreement is made subject to its approval by the Lieutenant Governor in Council.
63. This Agreement inures to the benefit of and is binding upon Her Majesty the Queen in Right of the Province of Alberta and Her assigns, and the Company and its successors and assigns if approved by the Minister in Accordance with the provisions of this Agreement.
64. This Agreement shall be construed as having been made in the Province of Alberta and the laws of the Province of Alberta shall be applied in the event of any action or arbitration mutually agreed to, respecting any dispute arising from this Agreement, its formulation, interpretation, and each and every other aspect pertaining to or resulting from its entire contents.

IN WITNESS WHEREOF the party of the first first part executes this Agreement pursuant to the hand of the Minister subscribed hereunder and the party of the second part executes this Agreement by subscribing hereunder the

signatures of its duly authorized corporate officers and by attesting hereto its lawful corporate seal this day of

Her Majesty the Queen in Right of Alberta
as represented by the

Minister of Forestry, Lands and Wildlife

THE COMPANY
Per:
President and Chief Executive Officer
Per:
Vice-President and Comptroller.

Witness

APPENDIX "B"

LIST OF THE HOLDERS OF CONIFEROUS TIMBER QUOTA CERTIFICATES ISSUED WITHIN THE FOREST MANAGEMENT AREA

1. COMPANY 1
2. COMPANY 2
3. COMPANY 3
4. COMPANY 4
5. COMPANY 5

IN THE EVENT THAT AN ADDITIONAL MANAGEMENT UNIT IS ADDED TO THE FOREST MANAGEMENT AREA THE FOLLOWING CONIFEROUS TIMBER QUOTA CERTIFICATES ARE ISSUED WITHIN MANAGEMENT UNIT

1. COMPANY 6
2. COMPANY 7
3. COMPANY 8
4. COMPANY 9